

VIEW project summary

Housing Trust Fund Overview

Communities across our state can't keep up with demand for affordable housing. The gap between incomes and rents grows, resulting in increasing rates of homelessness, particularly among vulnerable populations including veterans, the elderly, people with physical and mental illness challenges, young people exiting state care systems and formerly incarcerated individuals.

Since 1986, the Housing Trust Fund (HTF) has helped local housing authorities, nonprofits and tribes develop about 50,000 units to meet basic needs for thousands of low-income individuals and families.

In addition to repayment, HTF contracts typically include long-term obligations to maintain properties to serve the purpose and population intended. Commerce does not own or have ownership rights over the properties it helps fund. Instead, Commerce monitors for performance and compliance and retains deeds of trust on properties over the life of the contract.

VIEW and the Housing Trust Fund

In 1992, the HTF awarded \$164,581 to the non-profit VIEW (Veterans Independent Enterprises of Washington) to purchase and renovate four properties in Tacoma to provide transitional group homes for disabled and homeless low-income veterans through the year 2044. In recent years, Commerce documented maintenance and other issues with the properties, which VIEW repeatedly promised but failed to fix. VIEW sought additional financial assistance from the state. Commerce explored multiple options to resolve issues. An agreement to repay funds to the state and keep the properties in service to veterans was negotiated. However, before receiving all the payments, the ability of the agency to perform as agreed again came into question. Therefore, Commerce halted the contract termination process.

Timeline

- Periodic site monitoring visits performed by HTF staff in recent years found, and brought to VIEW's attention, issues of deferred maintenance and inconsistent tenant files. Following a scheduled 2015 formal on-site monitoring visit to follow up, Commerce escalated compliance action due to the unaddressed issues.
- VIEW failed to provide adequate commitments and timelines for resolving the issues.
- In 2016, VIEW asked Commerce to subordinate the HTF deeds on the four properties to a \$540,000 loan from a private bank. (It is not uncommon for Commerce to subordinate old HTF debt to new private loans, provided proceeds are to be used to repair or improve the property.)
- When VIEW indicated its intent to use the money to settle delinquent IRS payroll taxes related to its work program with Boeing, rather than address the significant deferred property repairs, Commerce declined to subordinate its debt to a loan that was not intended to repair the properties.
- In December 2017, another follow-up on-site monitoring visit by Commerce confirmed VIEW's inaction on repairs, and Commerce again demanded the organization bring the properties into compliance.

- Unknown to Commerce until May 2018, and against terms of the contract prohibiting such action without state approval, VIEW proceeded with the new bank loan and caused junior position liens to be placed on all four of the HTF-funded properties.
- In early 2018, VIEW again asked Commerce to subordinate to new loans on the HTF funded properties. In the interest of serving the HTF mission to maintain needed housing and support opportunities for low-income veterans, Commerce responded with three proposals to get the project back on track:
 - Subordinate to a \$125,000 loan with proceeds to cover only repairs/improvements.
 - Allow VIEW to transfer/assign the HTF contract and the underlying properties to another eligible organization better positioned to continue operating them.
 - Early termination of the contract with shared appreciation penalty to help remedy HTF/taxpayer investment.
- VIEW declined all options.
- VIEW began contacting various elected officials and Governor Inslee's office, complaining that Commerce's refusal to subordinate to the loan constrained VIEW's ability to restructure its finances and prevented it from repairing the properties and serving homeless veterans.
- In April 2018, VIEW obtained another private loan for \$125,000, again without Commerce's approval, and recorded a new lien on one of the four HTF properties.
- In late 2018, Commerce was threatened with legal action by a title company on behalf of the \$125,000 private lender, precluding further discussion of details.
- The agency's final offer of resolution to VIEW – an early contract termination – was put forward in June 2019. Under the terms of the proposal, VIEW, in an agreement approved and signed by its entire board, would commit to make repairs and continue housing veterans through August 2044, and repay funds to the state in exchange for the state's release of its liens (deeds of trust).
- A title company submitted payment to Commerce on behalf of VIEW pursuant to the early termination agreement.
- In August 2019 Commerce acquired additional information and records, in part disclosed through KING5 reporting, that confirmed the agency's hesitation and doubts about the VIEW's intention and ability to abide by the terms of the contract termination agreement.
- As a result, Commerce decided to return a check from the title company for the agreed-upon repayment amount and declined to terminate the contract.
- As of August 9, 2019, Commerce has **not** terminated the contract with VIEW. Possible legal action is pending, precluding further discussion of details.
- Commerce has explored several avenues for resolution of ongoing compliance issues with VIEW. Most important, we continue to do whatever we can to ensure the veterans served by VIEW receive the safe and decent housing and work opportunities promised to them.